

DIRECT TESTIMONY AND EXHIBITS OF
MICHAEL L. SEAMAN-HUYNH
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2018-318-E
IN RE: APPLICATION OF DUKE ENERGY PROGRESS, LLC
FOR ADJUSTMENTS IN ELECTRIC RATE SCHEDULES AND TARIFFS
AND REQUEST FOR AN ACCOUNTING ORDER

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Michael Seaman-Huynh. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Regulatory Manager in the Utility Rates and Services Division of the Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor’s Degree in History from the University of South Carolina in 1997. Prior to my employment with ORS, I was employed as an energy analyst with a private consulting firm. I joined ORS in 2006 as an Electric Utilities Specialist and was promoted to Senior Electric Utilities Specialist in 2010. When the Energy Regulation Department was formed in August 2015, I assumed the position of Senior Regulatory Analyst. In May 2016, the Utility Rates and Services Division was formed, and I was promoted to the position of Senior Regulatory Manager.

Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes. I have testified on numerous occasions before the Commission in connection with hearings concerning annual fuel clause proceedings, general rate cases, and Utility Facility Siting and Environmental Protection Act proceedings.

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

The concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to address certain areas of ORS's examination of Duke Energy Progress, LLC's ("Company" or "DEP") application for adjustments in its electric rates and charges under Docket No. 2018-318-E ("Application"). My testimony will specifically address the Company's cost of service study ("COSS"), depreciation study, rate design, revenue verification, and revenue requirement distribution.

I will also address the Company's pro forma adjustments pertaining to the Company's calculation of the Extra Facilities Charge ("EFC") and ORS's Customer Growth calculation. These adjustments, more fully discussed below, were provided by the ORS Utility Rates and Services Division to the ORS Audit Department and are shown in Audit Exhibit KLM-2 of ORS witness Major's Direct Testimony.

Additionally, I will address the distribution of the additional revenue requirement and the proposed Excess Deferred Income Tax Rider ("EDIT Rider") to customers, ORS's recommendation regarding the Company's proposed Phase 1 and 2 increase in base rates

to support the proposed Grid Improvement Plan (“GIP”), and the impact of the proposed rates on customers’ bills.

I. COST OF SERVICE STUDY

Q. WHAT IS THE PURPOSE OF A COST OF SERVICE STUDY?

A. The Company owns and operates an electric system which primarily provides retail electric service to residential, general service, industrial and street lighting customers, as well as wholesale customers. Each of these customer classes receives varying types of service and contributes different load characteristics to the system. The COSS allocates – or directly assigns – responsibility for the revenues, expenses and rate base items among the individual customer classes. That is, the cost responsibility for expenses and rate base items are allocated to the customer class(es) that caused the cost to be incurred. This allocation methodology is referred to as “cost causation.”

Q. PLEASE EXPLAIN THE MAJOR COMPONENTS OF A COST OF SERVICE STUDY.

A. The major components utilized in the development of a fully distributed COSS are functionalization, classification and allocation. Functionalization is the process of categorizing cost according to its function, which is either production, transmission or distribution. Classification is further dividing these costs into the type of service they provide, namely demand, energy or customer. The allocation of these costs is based upon the demand, energy or customer costs incurred by the individual classes.

Q. PLEASE DESCRIBE THE ALLOCATION METHODOLOGY USED BY THE COMPANY IN ITS COST OF SERVICE STUDY.

1 **A.** The Company filed its COSS based on the summer peak day One-Hour Coincident
2 Peak Demand methodology, which was approved by the Commission in the Company's
3 last general rate case in 2016 (Order No. 2016-871). Allocation factors for demand related
4 costs are two-fold. The class coincident peak ("CP") allocator was developed based on
5 each customer class's contribution to the system's summer peak demand of 12,590
6 megawatts ("MW"), which occurred at 5:00 p.m. on July 13, 2017. The Company used
7 the system summer peak demand rather than the system peak demand of 14,407 MW that
8 occurred on January 9, 2017 at 8:00 am. ORS reviewed the Company's reasoning and
9 found their use of the summer peak demand to be reasonable in developing the CP allocator
10 for the proceeding.¹ This allocator was used for the allocation of production and
11 transmission investments to customer classes.

12 The class non-coincident peak ("NCP") allocator was developed based on the peak
13 demands of each customer class whenever they occurred during the test year ending
14 December 31, 2017 ("Test Year"). The NCP allocator was used for the allocation of
15 demand related distribution investments and expenses to customer classes. The CP and
16 NCP demand allocation methodology generally reflects how costs are incurred by the
17 Company to meet the demands customers place on the Company's system.

18 The energy related allocation factors were based on the annual kilowatt hour
19 ("kWh") sales for each customer class for the Test Year, adjusted for system losses. The
20 energy allocation methodology generally reflects the variable costs incurred by DEP, such
21 as fuel, to meet each customer class's energy consumption requirements placed on the
22 Company's system throughout the year.

¹ Company witness Hager's Direct Testimony, page 9.

The customer related allocation factors were based on the number of customers in each respective class and used to allocate costs such as meters. In addition, costs such as extra facilities that were identified as being attributable to a specific class of customer were directly assigned to that customer class.

Q. HAS THE COMPANY MADE ANY CHANGES TO ITS COST OF SERVICE STUDY IN THIS PROCEEDING COMPARED TO ITS LAST RATE CASE?

A. Yes. As discussed by Company witness Hager, DEP incorporated the Minimum System Methodology into its COSS as part of the Application. In using the Minimum System Method, DEP identified a portion of costs for distribution lines, poles, and transformers, and allocated these costs based on customer related allocation factors rather than demand factors. In the 2016 general rate proceeding, the Company did not use the Minimum System Method and instead allocated costs using the Basic Customer method. The Basic Customer method allocated service drops and meters based on the number of customers and resulted in lower basic facility charges.²

Q. DID ORS REVIEW THE DEPRECIATION RATES UTILIZED BY THE COMPANY IN THIS CASE?

A. Yes. ORS confirmed that the Company used the rates from its 2016 depreciation study approved by the Commission in Order No. 2018-530 to determine the appropriate cost levels for depreciation expense in its current filing. ORS found the study results and methodologies to be reasonable and consistent with other electric utilities operating in South Carolina and previously approved by the Commission.

² Company witness Hager's Direct Testimony, page 15.

Q. WHAT WERE THE FINDINGS OF ORS'S REVIEW OF THE COMPANY'S COST OF SERVICE STUDY?

A. ORS concluded that, for the purposes of this Application, the methodology applied in constructing the Company's COSS is reasonable. The methodology provides a reasonable assessment and allocation of the Company's revenues, operating expenses and rate base items.

Q. AS PART OF ORS'S REVIEW OF THE COMPANY'S COST OF SERVICE STUDY, WERE CERTAIN COSTS DIRECTLY ASSIGNED TO THE COMPANY'S NORTH CAROLINA OR SOUTH CAROLINA JURISDICTIONS?

A. Yes. DEP directly assigned certain costs to its North Carolina and South Carolina jurisdictions. These included, but were not limited to, costs associated with South Carolina Act 236 Distributed Energy Resources (South Carolina) and the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard (North Carolina). It is a common practice for utilities operating in multiple jurisdictions to assign the costs related to certain accounts directly to one jurisdiction. These costs are often derived from laws and regulations that are specific to that jurisdiction. This follows the principle of cost causation that I previously discussed. Adhering to this principle, it is appropriate for the total costs associated with implementation and compliance with the laws and regulations of a particular jurisdiction be allocated completely to that jurisdiction while holding the customers of other jurisdictions harmless.

Q. WERE THERE NORTH CAROLINA JURISDICTIONAL COSTS ASSIGNED TO SOUTH CAROLINA?

A. Yes. ORS determined that the Company allocated coal ash management and disposal expenses to South Carolina customers that were incurred to comply with North Carolina laws and regulations. ORS recommends the Commission disallow recovery of these additional costs related to North Carolina laws and regulations. This issue and the corresponding ORS recommendations are addressed by ORS witness Wittliff.

II. REVENUE VERIFICATION, REVENUE REQUIREMENT DISTRIBUTION, AND RATE DESIGN

Q. DID ORS VERIFY THE REVENUE COMPUTATIONS USED IN DETERMINING THE VARIOUS TARIFF INCREASES?

A. Yes. ORS verified the Test Year billing determinants for each current rate schedule approved by the Commission. ORS also confirmed the use of these determinants as applied to the proposed rates. The difference in the revenue generated by the current and proposed rates produces the revenue increase the Company has requested in this proceeding. This is a reasonable and appropriate method for determining the accuracy of the proposed rates.

Q. PLEASE DISCUSS THE REVENUE REQUIREMENT AND HOW IT IS DISTRIBUTED TO EACH CUSTOMER CLASS.

A. The COSS was utilized to determine the proper cost allocation for each class. The revenue requirement was then applied to each class to align the returns by class with the overall rate of return. This is an appropriate and equitable method for allocating revenue requirements and is an accepted regulatory practice consistent with previous Commission orders.

Based on ORS's adjustments and a 9.30% return on equity ("ROE"), as recommended by ORS witness Parcell, ORS recommends a reduction to DEP's proposed

1 revenue increase from \$68,668,000 (as filed in Company witness Bateman's Exhibit 1) to
2 \$30,562,000, which equates to an approximate 56% reduction or approximately
3 \$38,106,000, excluding the refund from the EDIT Rider. The revenue increases for ORS's
4 recommendation by customer class and individual rate schedules are reflected in Exhibit
5 MSH-1. ORS recommends that the revenues generated by the billing determinants not
6 exceed the target revenue for each class as proposed in Exhibit MSH-1.

7 Exhibit MSH-1 demonstrates the percent increases proposed by ORS for each
8 customer class. The retail increases by customer class, including ORS's proposed
9 adjustments and the EDIT Rider, are as follows: 5.11% for Residential; 5.98% for Small
10 General Service ("SGS"); 8.56% for SGS Constant Load; 1.13% for Medium General
11 Service ("MGS"); 3.73% for Large General Service ("LGS"); -0.13% for Seasonal and
12 Intermittent Service ("S&I"); 15.94% for Traffic Signal Service ("TSS"); -1.50% for
13 Outdoor Lighting; and -8.69% for Sports Field Lighting Service ("SFLS"). The overall
14 total retail increase is 3.61%.

15 **Q. HOW DOES ORS'S DISTRIBUTION OF THE REVENUE REQUIREMENT**
16 **IMPACT THE RATE OF RETURN BY CUSTOMER CLASS?**

17 **A.** Exhibit MSH-2 provides the resulting rate of return by customer class, taking into
18 account ORS's proposed adjustments and excluding the EDIT Rider. In developing
19 Exhibit MSH-2, ORS attempted to limit cross-subsidization by employing a $\pm 10\%$ "band
20 of reasonableness" relative to the overall retail rate of return. ORS was successful in
21 making an incremental movement toward comparable rates of return for all customer
22 classes. The returns by class are as follows: 4.52% for Residential; 4.42% for SGS; 2.78%
23 for SGS Constant Load; 7.83% for MGS; 4.91% for LGS; 9.44% for S&I; -1.50% for TSS;

10.73% for Outdoor Lighting; and 21.24% for SFLS. The overall rate of return for total retail is 5.60%. ORS recommends that any increase by the Commission granted be allocated in a manner such that the returns by class represent an appropriate movement toward comparable returns and bear a reasonable relations to the Company's overall rate of return.

Q. HAS THE COMPANY PROPOSED MODIFICATIONS TO ITS CURRENT TARIFF STRUCTURE?

A. Yes. The Company has proposed changes to the existing tariff structure as described in Company witness Wheeler's direct testimony. I will address each of these changes as well as ORS's recommendations for each of the proposed changes.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED CHANGES TO ITS RESIDENTIAL TARIFF STRUCTURE.

A. The Company has proposed to increase the Basic Facility Charge ("BFC") from the current charge of \$9.06 per month to \$29.00 per month for its residential rate schedules, Schedules RES and R-TOUD. These substantial increases would allow DEP to recover all of the customer related costs reflected in its COSS. Additionally, DEP requests a reduction to the differential between the non-summer billing month energy block for energy usage over 800 kWh and the non-summer billing month energy block for energy usage under 800 kWh from \$0.01/kWh to \$0.005/kWh for Schedule RES. Further, the Company proposes to reduce the differential between the summer and non-summer demand rates for Schedule R-TOUD from 30% to 20% and to reduce the differential between the on-peak and off-peak energy rates from 22% to 15%.

Q. DOES ORS HAVE RECOMMENDATIONS REGARDING THE RESIDENTIAL RATE STRUCTURE?

A. Yes. ORS recommends the Commission determine the rate design that balances utility rate design principles. ORS disagrees with the Company's proposal to recover all customer related costs through the BFC. The magnitude of the increase proposed by DEP to the BFC does not promote a gradual transition to a new rate design. "Gradualism" is the concept of progressively changing rates over time in a manner that mitigates rate shock to customers. Increasing the BFC for residential customers by 220% (see Wheeler Exhibit No. 2) in a single rate increase is extreme. Additionally, the impact to customers using relatively small amounts of energy (e.g., low income and fixed income customers) would be substantial.

ORS recommends DEP be allowed to increase the BFCs for the residential class to recover up to twenty-five percent (25%) of the approved revenue increase assigned to the residential class. This approach of gradualism mirrors the approach used by the NCUC in the most recent DEP general rate proceeding.³ Using the ORS proposed revenue increase, excluding the changes from the EDIT Rider, ORS recommends the BFC for residential customers be increased to \$11.66 per month as shown on Exhibit MSH-3.

Regarding the changes to the differentials in energy and demand charges proposed by Company witness Wheeler, ORS recommends the Commission reject the proposed changes. The Company states it is in the process of deploying its Advanced Metering Infrastructure ("AMI") program in its South Carolina territory.⁴ DEP intends to use customer usage data gathered from the AMI program to develop and offer new rates to its

³ <https://starw1.ncuc.net/NCUC/ViewFile.aspx?Id=80a5a760-f3e8-4c9a-a7a6-282d791f3f23>

⁴ Company witness Schneider's Direct Testimony, page 8.

1 customers in the future. It is premature to make the changes described by Company witness
2 Wheeler. The Company should incorporate the additional data gathered from the AMI
3 program into any requests to change the differential between energy and demand charges.
4 The information from the AMI program should be analyzed by the Company, along with
5 demand side management and energy efficiency (“DSM/EE”) and other programs, to
6 develop sustainable rate structures and rate designs based on customer’s usage patterns.
7 ORS recommends the Commission reject the Company’s proposal to change the
8 differential in energy block rates for Schedule RES, differential in summer and non-
9 summer demand rates for Schedule R-TOUD, and differential in on-peak and off-peak
10 energy rates for Schedule R-TOUD.

11 **Q. IF THE ORS RECOMMENDATION REGARDING THE RESIDENTIAL BFC**
12 **WAS APPROVED, HOW WOULD THE COMPANY RECOVER THE**
13 **REMAINING REVENUE REQUIREMENT FOR THE RESIDENTIAL CLASS?**

14 **A.** If the Commission were to approve ORS’s recommendation that only twenty-five
15 percent (25%) of the approved revenue increase assigned to the residential class come from
16 an increase in the BFC, the remaining portion of the additional revenue requirement would
17 need to be recovered through the volumetric rates, those being the energy (¢/kWh) and
18 demand charges (\$/kilowatt (“kW”)), which were noticed to the public and included in the
19 Company’s Application.

20 **Q. PLEASE DISCUSS THE COMPANY’S PROPOSED CHANGES TO ITS SGS AND**
21 **SGS CONSTANT LOAD TARIFF STRUCTURES.**

22 **A.** As with the Residential class, DEP has proposed to update the BFCs for its SGS
23 and SGS Constant Load tariffs to collect all customer related costs included in the COSS.

Under the proposed tariffs, SGS and SGS Constant Load customers would realize a sizable increase in the BFC, similar to residential customers.

Additionally, the Company proposes to increase the additional monthly charge for three-phase service from \$6.00 to \$6.50, and to increase the rates for Rate GS approximately 15% higher than the SGS class.

Q. DOES ORS HAVE RECOMMENDATIONS REGARDING THE SGS AND SGS CONSTANT LOAD TARIFF STRUCTURES?

A. Yes. As with the Residential class, ORS recommends DEP be allowed to increase the BFC for SGS and SGS Constant Load customers to recover up to twenty-five percent (25%) of the approved revenue increase assigned to that class. Using the ORS proposed revenue increase, excluding the changes from the EDIT Rider, ORS recommends the BFC for SGS customers be increased to \$12.24 per month and \$11.25 per month for SGS Constant Load customers as shown on Exhibit MSH-3. Additionally, ORS has reviewed the additional recommendations made by Company witness Wheeler and finds them reasonable.

Q. IF THE ORS RECOMMENDATIONS REGARDING THE BFC FOR THE SGS AND SGS CONSTANT LOAD CLASSES WERE APPROVED, HOW WOULD THE COMPANY RECOVER THE REMAINING REVENUE REQUIREMENT FOR SGS AND SGS CONSTANT LOAD?

A. Like the Residential class, if the Commission were to approve ORS's recommendation that only twenty-five percent (25%) of the approved revenue increase be assigned to the SGS and SGS Constant Load classes through the BFC, the remaining portion of the additional revenue requirement would need to be recovered through the

volumetric rates, those being the energy (¢/kWh) and demand charges (\$/kW), which were noticed to the public and included in the Company's Application.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED CHANGES TO ITS MGS TARIFF STRUCTURES.

A. As with the Residential class, DEP has proposed to update the BFCs for its MGS tariffs to collect all customer related costs included in the COSS. The Company proposes reducing the differentials between on-peak and off-peak energy rates in Schedule SGS-TOU from 26% to 20%. Additionally, DEP proposes to increase the off-peak demand charge for Schedule SGS-TOU from \$2.95/kW to \$3.30/kW. Finally, the Company proposes to increase the rates for Schedule SGS-TOU approximately 10% higher than the increase to Schedule MGS.

Q. DOES ORS HAVE RECOMMENDATIONS REGARDING THE MGS TARIFF STRUCTURES?

A. Yes. ORS recommends the Commission approve the Company's proposed BFCs be designed to collect all customer related costs included in the COSS for the MGS class. Customers in the MGS class are minimally impacted by the Minimum System Method used in the Company's COSS.

Regarding the additional changes proposed by Company witness Wheeler, ORS recommends the Commission reject the proposed changes. The Company should incorporate the additional data gathered from the AMI program into any requests to change the differential between energy and demand charges. The information from the AMI program should be analyzed by the Company, along with DSM/EE and other programs, to develop sustainable rate structures and rate designs based on customer's usage patterns.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED CHANGES TO ITS LGS TARIFF STRUCTURES.

A. DEP has proposed to update the BFCs for its LGS tariffs to collect all customer related costs included in the COSS. For Schedule LGS-TOU, the Company proposes to increase on-peak demand rates by 50% and decrease the excess demand charge from \$1.25/kW to 0.89/kW. Regarding Schedule LGS-RTP, DEP proposes to increase the Administrative Charge from \$142.00/month to \$160.00/month. Additionally, DEP proposes to adjust the Facilities Demand Charges.

Q. DOES ORS HAVE RECOMMENDATIONS REGARDING THE LGS TARIFF STRUCTURES?

A. Yes. ORS recommends the Commission approve the Company's proposed BFCs be designed to collect all customer related costs included in the COSS for the LGS class. Customers in the LGS class are minimally impacted by the Minimum System Method used in the Company's COSS. Additionally, ORS recommends that the Commission approve the increase of the Administrative Charge for Schedule LGS-RTP.

Regarding the additional changes proposed by Company witness Wheeler, ORS recommends the Commission reject the proposed changes. The Company should incorporate the additional data gathered from the AMI program into any requests to change the differential between energy and demand charges. The information from the AMI program should be analyzed by the Company, along with DSM/EE and other programs, to develop sustainable rate structures and rate designs based on customer's usage patterns.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED CHANGES TO ITS S&I TARIFF STRUCTURES.

A. The Company proposes to increase the BFC for customers served under this class to match that of Schedule MGS. The Company proposes to increase the Customer Seasonal Charge consistent with its currently approved methodology.

Q. DOES ORS HAVE RECOMMENDATIONS REGARDING THE S&I TARIFF STRUCTURES?

A. Yes. ORS recommends that the Commission approve the Company's proposed changes to Schedule SI as proposed by Company witness Wheeler.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED CHANGES TO ITS TSS TARIFF STRUCTURES.

A. The Company proposes to increase the BFC for customers served under Schedule TFS, and the Minimum Bill for Schedule TSS, to match that of Schedule SGS.

Q. DOES ORS HAVE RECOMMENDATIONS REGARDING THE TSS CONSTANT LOAD TARIFF STRUCTURES?

A. Yes. As with the SGS class, ORS recommends DEP be allowed to increase the BFC for Schedule TFS and the Minimum Bill for Schedule TSS to recover up to twenty-five percent (25%) of the approved revenue increase assigned to that class. ORS recommends the BFC for TSS customers be increased to \$12.24 per month to match the BFC for the SGS class.

Q. IF THE ORS RECOMMENDATION REGARDING THE BFC FOR THE TSS CLASS WAS APPROVED, HOW WOULD THE COMPANY RECOVER THE REMAINING REVENUE REQUIREMENT FOR TSS?

A. Like the SGS class, if the Commission were to approve ORS's recommendation that only twenty-five percent (25%) of the approved revenue increase be assigned to the

1 TSS class through the BFC, the remaining portion of the additional revenue requirement
2 would need to be recovered through the volumetric rates, those being the energy (¢/kWh)
3 or fixture charges (\$/fixture), which were noticed to the public and included in the
4 Company's Application.

5 **Q. PLEASE DISCUSS THE COMPANY'S PROPOSED CHANGES TO ITS**
6 **OUTDOOR LIGHTING AND SFLS TARIFF STRUCTURES.**

7 **A.** Company witness Wheeler addresses numerous proposed changes to DEP's
8 Outdoor Lighting and SFLS tariffs to modernize and improve the administration of its
9 schedules. ORS reviewed these changes and found them to be reasonable and recommends
10 that the Commission approve the Company's proposed changes as proposed by Company
11 witness Wheeler.

12 **Q. HAS THE COMPANY PROPOSED ANY CHANGES TO ITS SERVICE RIDERS?**

13 **A.** Yes. Company witness Wheeler addresses several proposed changes to its Service
14 Regulations to better reflect current cost studies. ORS reviewed these changes and found
15 them to be reasonable with the exception of the proposed Prepaid Advantage (Pilot) Plan
16 tariff. This is addressed in ORS witness Johnson's Direct Testimony.

17 **Q. HAS THE COMPANY PROPOSED ANY CHANGES TO ITS SERVICE**
18 **REGULATIONS?**

19 **A.** Yes. Company witness Wheeler addresses several proposed changes to its Service
20 Regulations to better reflect current cost studies. Specifically, the Company is requesting
21 to increase the Service charge from \$15.00 to \$17.00, increase the Landlord Service Charge
22 from \$4.50 to \$5.35, and increase the Reconnect Charge from \$15.00 to \$19.00. DEP also

proposes to change the EFC calculation by reducing the monthly percent rate charge from 1.1% to 1.0%. ORS reviewed each of these changes and found them to be reasonable.

III. PRO-FORMA ADJUSTMENTS

Q. PLEASE EXPLAIN THE COMPANY'S PROPOSAL TO ADJUST OTHER REVENUE.

A. In Company Adjustment #3, DEP proposes updates to its Service Regulations discussed previously. Specifically, these are changes to the Company's Service Charge, Landlord Service Charge, Reconnect Charge, and EFC calculation. ORS reviewed each of these changes and found them to be reasonable. This information is reflected in ORS witness Major's Adjustment #3.

Q. PLEASE EXPLAIN ORS'S CUSTOMER GROWTH CALCULATION INCLUDING THE RESULTING CUSTOMER GROWTH FACTOR FOR THE COMPANY.

A. ORS found an increase in the number of DEP customers in South Carolina when comparing the end of the Test Year and the average number of customers during the Test Year. To capture the additional revenues and expenses generated by customers added to the Company's system, ORS included an adjustment for customer growth. The customer growth factor is calculated by taking the difference between the total number of customers at the end of the Test Year and the average number of customers during the year and dividing the result by the average number of customers during the Test Year. This methodology yields a retail customer growth factor of 0.0267% for the Company. This customer growth factor is reflected in ORS witness Major's Adjustment #40.

IV. EDIT RIDER

Q. HAS ORS REVIEWED THE COMPANY’S PROPOSED EDIT RIDER?

A. Yes. ORS has reviewed the Company’s EDIT Rider. ORS witness Schellinger discusses ORS’s review of the Company’s calculations of the EDIT Rider. ORS recalculated the first-year return based on a 9.30% ROE and 4.06% Cost of Debt, as recommended by ORS witness Parcell, to arrive at a total return of EDIT Rider revenue of \$9,983,536 for the first year. Exhibit MSH-4 allocates this total to the various customer classes using the same methodology as discussed by Company witness Wheeler but updated for corrected Test Year billing units.

V. GIP

Q. DOES ORS HAVE A RECOMMENDATION REGARDING THE PHASE 1 AND 2 INCREASE IN BASE RATES TO SUPPORT THE COMPANY’S GIP?

A. Yes. ORS recommends the phased-in rate proposed by the Company for the GIP be denied. ORS witness Sandonato provides a detailed explanation of the ORS recommendation in his direct testimony.

VI. CONCLUSION

Q. HAS ORS REVIEWED THE EFFECT OF THE COMPANY’S PROPOSED RATES ON THE TYPICAL RESIDENTIAL CUSTOMER’S MONTHLY BILL?

A. Yes. Exhibit MSH-5 shows the typical monthly residential bill for a customer on Rate RES with 1,000 kWh consumption for DEP’s currently approved rates and the rates proposed in this proceeding. For information purposes, ORS provided the same information for South Carolina Electric & Gas Company (“SCE&G”), Duke Energy Carolinas, LLC (“DEC”), Lockhart Power Company (“Lockhart”), South Carolina Public

Service Authority (“Santee Cooper”), and the most recent U.S. Energy Information Administration (“EIA”) data for the South Atlantic region of the United States.

Q. AFTER INCORPORATING ORS’S ADJUSTMENTS AND RECOMMENDATIONS INTO THE COMPANY’S APPLICATION, WHAT IS THE NET EFFECT ON THE TYPICAL MONTHLY BILL FOR A TYPICAL RESIDENTIAL CUSTOMER?

A. The monthly bill for the typical residential customer on Rate RES using 1,000 kWh (“Typical Bill”) will increase by approximately \$8.57 from \$122.49 to \$131.06, or 7.0%, exclusive of the EDIT Rider. Including the EDIT Rider, the Typical Bill would decrease by an additional (\$2.26) for a net increase of \$6.31. Inclusive of all changes, the Typical Bill would increase from \$122.49 to approximately \$128.80, or 5.1%.

Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, become available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Duke Energy Progress, LLC
Proposed Revenues
Docket No. 2018-318-E

EXHIBIT MSH-1

Rate Class	Present Revenues Annualized (a)	ORS Proposed Revenues Annualized (b)	ORS Proposed Revenue Increase (Decrease) (c)	ORS Percent Increase (Decrease) (d)	ORS EDIT Rider Increase (Decrease) (e)	ORS Proposed Net Revenue Increase/(Decrease) (Total) (f)	ORS Percent Increase (Decrease) (g)
<u>Residential Service</u>	\$ 242,290,950	\$ 259,246,950	\$ 16,956,000	7.00%	\$ (4,573,659)	\$ 12,382,342	5.11%
<u>Small General Service</u>	\$ 33,491,315	\$ 36,232,315	\$ 2,741,000	8.18%	\$ (737,604)	\$ 2,003,396	5.98%
<u>SGS Constant Load</u>	\$ 404,631	\$ 448,631	\$ 44,000	10.87%	\$ (9,378)	\$ 34,622	8.56%
<u>Medium General Service</u>	\$ 145,605,225	\$ 149,579,225	\$ 3,974,000	2.73%	\$ (2,332,008)	\$ 1,641,992	1.13%
<u>Large General Service</u>	\$ 128,375,194	\$ 135,138,195	\$ 6,763,000	5.27%	\$ (1,978,951)	\$ 4,784,049	3.73%
<u>Seasonal and Intermittent Service</u>	\$ 2,137,174	\$ 2,168,174	\$ 31,000	1.45%	\$ (33,783)	\$ (2,783)	-0.13%
<u>Traffic Signal Service</u>	\$ 76,277	\$ 90,277	\$ 14,000	18.35%	\$ (1,839)	\$ 12,161	15.94%
<u>Outdoor Lighting</u>	\$ 18,222,326	\$ 18,264,326	\$ 42,000	0.23%	\$ (315,915)	\$ (273,915)	-1.50%
<u>Sports Field Lighting Service</u>	\$ 39,099	\$ 36,099	\$ (3,000)	-7.67%	\$ (398)	\$ (3,398)	-8.69%
<u>Total Retail</u>	\$ <u>570,642,191</u>	\$ <u>601,204,192</u>	\$ <u>30,562,000</u>	<u>5.36%</u>	\$ <u>(9,983,536)</u>	\$ <u>20,578,465</u>	<u>3.61%</u>

Duke Energy Progress, LLC
Rate of Return by Class
Docket No. 2018-318-E
(000's Omitted)

EXHIBIT MSH-2

	Before Increase				After Proposed Increase			
	Company Pro Forma Ratebase	Company Pro Forma Return	ROR	Relationship to Parity	Company Pro Forma Ratebase	ORS Pro Forma Return	ROR	Relationship to Parity
Residential Service	\$ 700,799	\$ 18,983	2.71%	66%	\$ 700,799	\$ 31,655	4.52%	81%
Small General Service	\$ 111,703	\$ 2,894	2.59%	63%	\$ 111,703	\$ 4,942	4.42%	79%
SGS Constant Load	\$ 1,440	\$ 7	0.48%	12%	\$ 1,440	\$ 40	2.78%	50%
Medium General Service	\$ 340,793	\$ 23,708	6.96%	170%	\$ 340,793	\$ 26,678	7.83%	140%
Large General Service	\$ 297,726	\$ 9,561	3.21%	78%	\$ 297,726	\$ 14,616	4.91%	88%
Seasonal and Intermittent Service	\$ 5,538	\$ 500	9.02%	220%	\$ 5,538	\$ 523	9.44%	168%
Traffic Signal Service	\$ 290	\$ (15)	-5.03%	-123%	\$ 290	\$ (4)	-1.50%	-27%
Outdoor Lighting	\$ 63,296	\$ 6,762	10.68%	260%	\$ 63,296	\$ 6,793	10.73%	192%
Sports Field Lighting Service	\$ 76	\$ 18	24.12%	588%	\$ 76	\$ 16	21.24%	379%
Total Retail	\$ 1,521,662	\$ 62,418	4.10%	100%	\$ 1,521,662	\$ 85,259	5.60%	100%

Duke Energy Progress, LLC
ORS Residential & SGS BFC Recommendations
Docket No. 2018-318-E

EXHIBIT MSH-3

	Bills	ORS		ORS		ORS		Current BFC	ORS Proposed BFC	ORS Percent Increase
		Proposed Revenue Increase/(Decrease)	Proposed Revenue 25% Increase	Proposed Revenue	BFC Increase	Proposed Revenue	BFC Increase			
Residential Service	1,631,352	\$ 16,956,000	\$ 4,239,000	\$ 21,195,000	\$2.60	\$ 21,195,000	\$2.60	\$9.06	\$11.66	29%
Small General Service	294,660	\$ 2,741,000	\$ 685,250	\$ 3,426,250	\$2.33	\$ 3,426,250	\$2.33	\$9.91	\$12.24	23%
SGS Constant Load	8,472	\$ 44,000	\$ 11,000	\$ 55,000	\$1.30	\$ 55,000	\$1.30	\$9.95	\$11.25	13%

Duke Energy Progress, LLC
Derivation of EDIT Rider

Docket No. 2018-318-E

EXHIBIT MSH-4

	Billing	EDIT Rider	EDIT Rider
	Units	Class Total	Class Rate
	(kWh)	(\$)	(\$/kWh)
Residential Service	2,019,756,258	\$ (4,573,659)	-\$0.00226
Small General Service	266,444,889	\$ (737,604)	-\$0.00277
SGS Constant Load	4,147,619	\$ (9,378)	-\$0.00226
Medium General Service	1,630,336,789	\$ (2,332,008)	-\$0.00143
Large General Service	2,207,374,321	\$ (1,978,951)	-\$0.00090
Seasonal and Intermittent Service	16,767,744	\$ (33,783)	-\$0.00201
Traffic Signal Service	857,376	\$ (1,839)	-\$0.00215
Outdoor Lighting	82,932,700	\$ (315,915)	-\$0.00381
Sports Field Lighting Service	142,491	\$ (398)	-\$0.00279
Total Retail	6,228,760,187	\$ (9,983,536)	

Duke Energy Progress, LLC
Average Monthly Residential Bill for 1,000 kWh Consumption
Docket No. 2018-318-E

EXHIBIT MSH-5

	Total Bill Including EDIT Rider	Total Bill Excluding EDIT Rider
DEP (Schedule RES) (Current)	\$ 122.49	
DEP (Schedule RES) (Company Proposed)	\$ 140.39	\$ 142.66
DEP (Schedule RES) (ORS Proposed)	\$ 128.80	\$ 131.06
SCE&G (Rate 8)	\$ 124.91	
DEC (Schedule RS)	\$ 117.74	
Lockhart (Schedule R) ¹	\$ 134.45	
Santee Cooper (Schedule RG) ²	\$ 123.87	
South Atlantic 2017 Average (from EIA) ³	\$ 125.15	

¹ Lockhart Rate does not include monthly changes to Schedule O.

² Santee Cooper bill does not include non-public changes to FAC-17, DSC-17, and EDA-17.

³ https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf